PW PREDICTS

STEEL

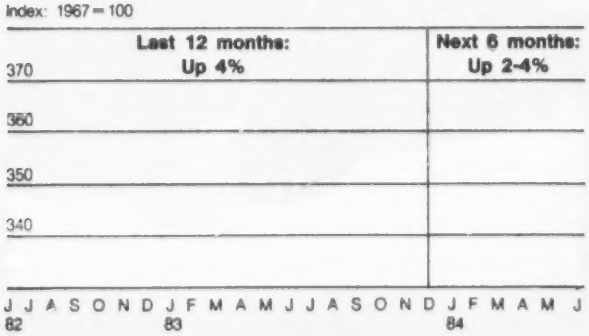
CURRENT SITUATION: Prices are beginning to firm. Flat rolled products are commanding a bit more and low-carbon rods sold by minimills have moved up $20/ton since the summer. **Shipments have also picked up.** Current (fourth quarter) levels, fo r example, are expected to approach 19 million tons—a considerable improvement over the 17 million shipped in the third quarter. **Also, user inventories in the fourth quarter are expected to show some fractional increase,** reversing the steady downtrend of recent quarters.

DEMAND: Next year's outlook is also beginning to look a bit better. If projections for continued GNP growth materialize (gains are now put in the 4%-plus range), **the industry could ship about 76-78 million tons**—a 13% jump over the anticipated 68 million that will be shipped this year. But consumption, reflecting some inventory buildup (on both user and mill levels), is expected to show only a 5-7% advance (to near 90 million tons).

SUPPLY: There still seems more than enough to go around—for now and for all of 1984. Indeed, given (1) the current 60% operating rate and (2) the demand projections, it's hard to make a case for any serious tightening. Then there are imports, which are expected to hit more than 16 million tons (about 19% of total U.S. consumption) next year.

PRICE OUTLOOK: Look for more attempts to shore up tags after the first of the year as demand continues to improve. But most of the increases will be in the form of smaller discounts. Upshot: *PW*'s overall steel index (primarily based on lists) won't be up more than 2-4% by mid-1984. After that look for accelerated increases—**perhaps averaging 10-15% for the year.**

Steel mill products



and (3) domestic battery demand remains brisk. The l atter should push U.S. use up over 1.2 million tons this year (a 2.6% increase). But next year should see only a 1.0-1.5% rise. As for prices, look for maybe another 1-2 cents/lb boost by year-end—followed by a retreat in early 1984 as the battery buying season ends.

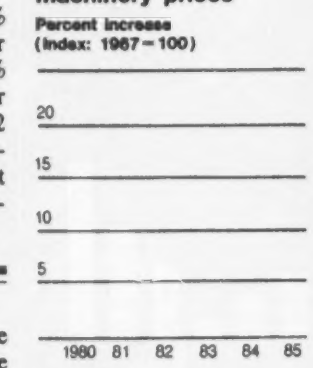
Turpentine

Prices of sulfate types are likely to remain soft in the 60-65 cents/gal range into early 1984—a far cry from the $1.90/gal quote which prevailed as recently as 1981. Reason: A high 6-week inventory—with the situation aggravated by the banning of chlorinated pesticides, which accounted for 16% of the total end-use market. The outlook for other markets is none too bright either. Indeed, since the beginning of the decade, overall demand has shrunk about 15-20%.

Metalworking machinery

Orders are beginning to pick up—suggesting that bargains will be harder to come by. Also indicative of a changing climate: a new capital equipment buying survey which calls for a 15% increase next year—in sharp contrast to this year's estimated 7% decline. In any event, expect discounts to slowly dry up and 1984 list levels (as measured by the Labor Department producer price index) to be up by 4-5%—with an even bigger 6-8% increase anticipated for the following year.

Metalworking machinery prices



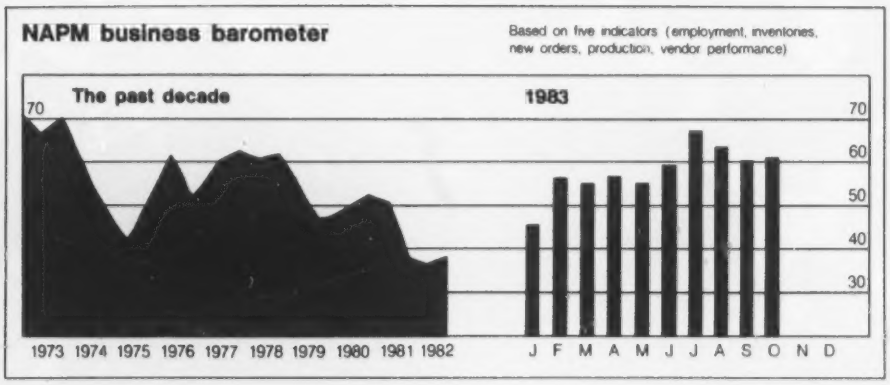
Stainless steel

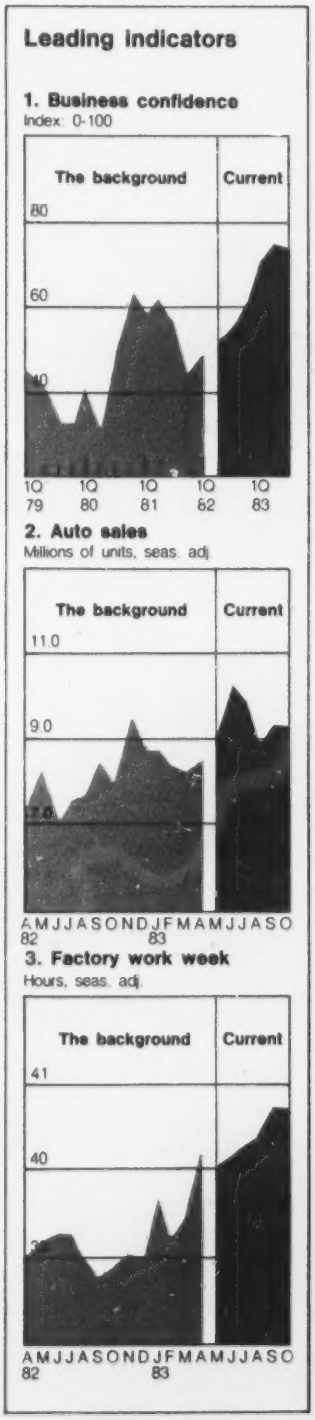
Producers are again attempting to shore up prices—with the latest move being a move to knock some 5-10% off bar discounts, which up until recently had been ranging as high as 30%. And in flat-rolled products (sheet, strip, and plate), mills are said to b e planning on a 10% cut in discounts—something which (if it holds) could add as much as $200/ton onto the purchasing invoice.

Sulphur

Markets are slowly beginning to firm. The gap between Frasch and recovered material, for example, has narrowed from $15 to $10/ton. As of latest report the current market price for recovered sulphur was $115/ton—with Frasch sales moving in the $120-125/t on range. Further strengthening is likely if 1984 forecasts calling for increased demand for phosphate fertilizers (a key end-use market) materialize. *PW*

BUSINESS DATATRAK


NAPM business barometer
Based on five indicators (employment, inventories, new orders, production, vendor performance)
The past decade
1983
70
60
50
40
30
1973 1974 1975 1976 1977 1978 1979 1980 1981 1982
J F M A M J J A S O N D



KEY ECONOMIC TRENDS

Indicators show more strong gains

The recovery, now almost a year old, is still going strong. All signs point to a significant gain in the last quarter. This upturn may not be as large as the near-8% annual rate of increase noted in the third quarter, however.

If there's any doubt about this bullish projection, take a look at the widely-monitored NAPM Business Barometer (chart above), a leading indicator of activity a few months down the pike. At latest report it is being clocked at 61.2, more than 11 points above the neutral 50 mark.

Then there are factory orders. They've been rising 1-2% a month since early summer, foreshadowing continued growth in production, employment, and sales.

Inventories

Factory inventories are yet another plus factor. The recent wave of inventory reductions seems to be over, and firms are beginning to replenish their stocks to keep up with increased orders and sales. If nothing else, this trend will add to production orders during the coming months.

One thing is certain: Business confidence (see top chart) remains high. The Conference Board's optimism index (based on a survey of 1500 executives) is now at 75, nearly matching the 76 peak of the previous quarter. (Scores are on a scale of 0-100.)

Equally significant is the optimistic rating assigned by these executives to current business conditions. This figure advanced from 76 to 83 during the latest 3-month period.

One factor behind this management cheer could be rapidly improving profits. In the most recent quarter, both earnings and margins rose substantially. On the latter score, after-tax profits per dollar of sales increased to 4.9%. This rate is not much lower than the 5% figures that prevailed through most of 1980 and 1981 before the bottom dropped out.

Capital spending

All of this improvement has prompted many outfits to move ahead with plans for stepped-up capital spending, even in the face of double-digit interest rates. A new McGraw-Hill survey, for example, suggests that plant and equipment outlays will be up 15% in 1984, a 22-percentage-point improvement from the 7% decline expected for the current year. Thus, another important segment of the economy finally seems to be jumping on the recovery bandwagon.

Then there's the continued consumer willingness to spend. Perhaps the best indication here is auto sales, which at latest report were running 30%

ahead of year-earlier rates. (See center chart.) Viewed from another perspective, the industry in the current quarter expects to sell 7.5 million domestic cars (at an annual rate), up from 7.0 million in the third quarter and only around 6 million during the first three months of the year.

Electronic components' larger role

Figure on electronic components playing a still more important role in the average U.S. purchase mix in the next 5-10 years, and that an increasing percentage of these space-age products will be coming from overseas sources.

The overall gain in demand (as shown in the chart) won't be quite as fantastic as in the past 10 years, when purchases rose at a 14% annual pace. But if projections by Predicasts (a Cleveland-based forecasting firm) are correct, growth will continue to outpace GNP by a wide margin.

Some of the eye-opening projections:

■ *Integrated circuits:* This key segment of the component market, which grew at a 23% annual rate during the past decade, will continue to show double-digit gains (14.2% through 1987). And while memory chips and microprocessors will remain th e largest-volume items, the fastest growth will be in semicustom IC's (particularly gate arrays and standard cells, where a 40% annual growth rate is possible).

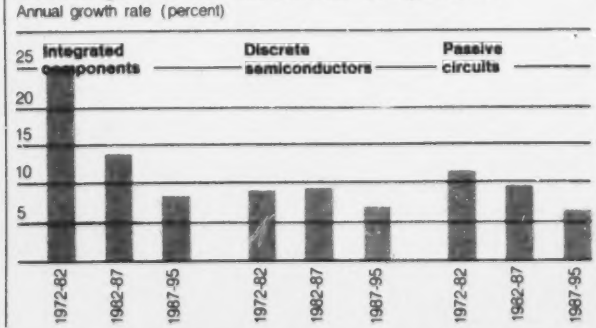
■ *Discrete semiconductors:* Contrary to forecasts published a few years back, there's still plenty of growth potential here. The share of the overall market will shrink. But a 9% annual rate of increase for the next few years (led by optoelectronic devices) is still impressive.

■ *Passive components:* These items, including resistors, capacitors, inductors, relays, etc., are projected to grow 9.6% a year through 1987 and 6.4% a year in the 1987-95 period. Piezoelectrics, which up to now have seen only military and industrial applications, are expected to be star performers.

Finally, a word on foreign competition. There will be plenty of overseas purchases from Singapore, Malaysia, Japan, Taiwan, and Western Europe. Four years from now, imports of electronic components could be topping exports by $5.5 billion a year. And t he red-ink figure could soar to $10 billion by 1995.

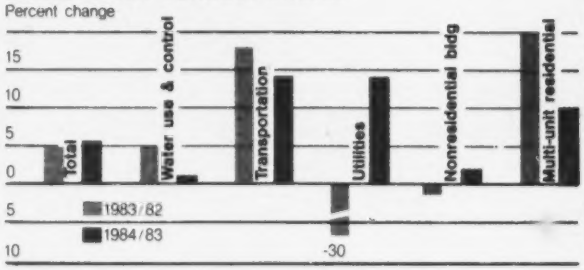
Slower growth for electronic components

Annual growth rate (percent)



Construction contract awards

Percent change



Construction outlook is mixed

It's beginning to look like a mixed year ahead for heavy construction and building (a sector which includes everything except new homes), and, thus, for most materials, component parts, fixtures, and equipment products that are needed to complete these big projects.

The overall averages suggest little change, with a new *Engineering News Record* forecast of contract awards suggesting an overall dollar increase of 6%. This rate shows little change from the 5% gain last year.

Between the averages hide some interesting cross trends (see chart). Transportation, a sector that consumes large tonnages of cement and steel, will sport an impressive advance. This trend reflects a continuing influx of federal funds.

And while nonresidential building will show only a 2% increase, one of the subgroups (manufacturing facilities) will jump sharply from a 48% decline this year to a 12% increase in 1984. Confirmation appears from a new plant and equipment survey that points to a big gain in capital spending next year.

CURRENT PRICES

Moderate increases reported

Price hikes, although they accelerated a bit during the past month, remain moderate and spotty. The overall gain in industrial tags is holding at 1.5% compared to year-earlier levels.

Major changes in the past month included a gain in energy costs after a recent lull. Higher averages are noted for electric power, jet fuel, residual oil, home heating oil, diesel fuel, LPG, and kerosene. The only exceptions were natural gas and kerosene,

both of which edged a bit lower.

The chemical industry showed some modest firming. Higher averages were reported for both organic and inorganic formulations. Plastic resins jumped 1.5% in the past 30 days.

Also heading higher were textiles (including synthetic fibers and grey goods), corrugated containers, paper office supplies, selected equipment items (notably industrial furnaces, aircraft, and trucks), rubber hose, and many electronic components.

Construction

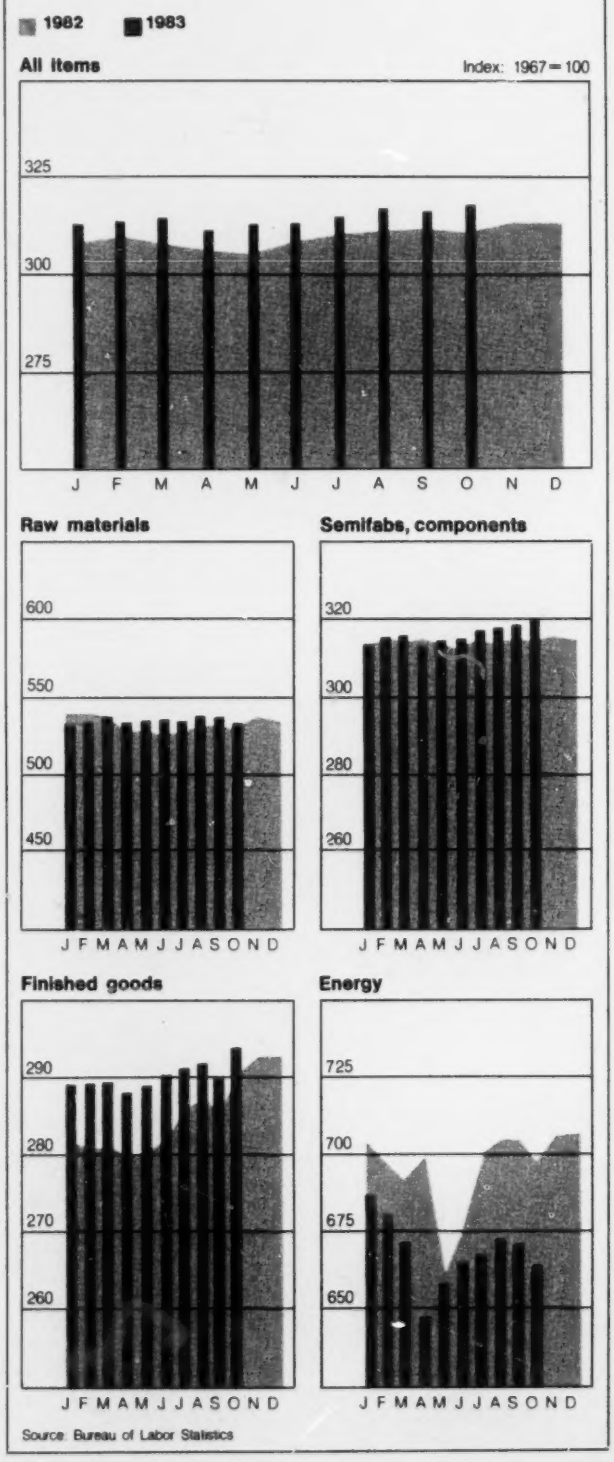
Construction edged somewhat higher. Hikes in lumber, plywood, gypsum, building paper, refractories, and plastic construction materials all helped boost the building material subgroup by about 0.5%.

The situation in metals

This month's breakdown

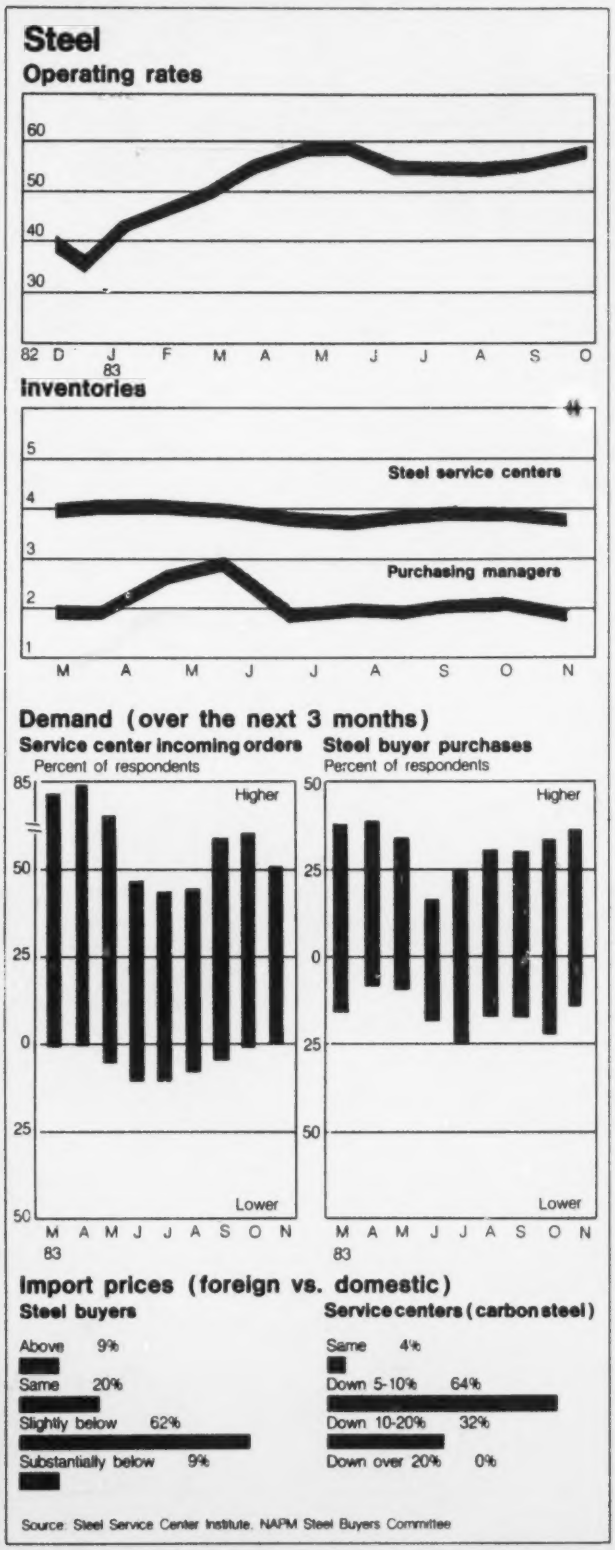
	Latest level (Oct)	% change from: Month ago	Year ago
Bearings	332.0	-0.1	-1.0
Bolts, nuts, etc.	266.8	0.1	-1.5
Chemicals, inorganic	292.4	0.5	-4.7
Chemicals, organic	375.9	0.7	3.2
Concrete products	303.3	0.2	1.6
Corrugated cartons	245.3	0.7	2.0
Cutting tools, small	278.5	0.0	0.7
Electrical instruments	274.8	0.0	9.8
Electric lamps (bulbs)	326.9	0.1	10.1
Electronic components	186.0	0.3	5.6
Fans and blowers	335.8	-0.4	-0.2
Foundry and forge products	352.5	0.5	1.7
Fuel oil (residual)	1193.1	1.5	5.7
Furniture, commercial	287.9	0.1	3.4
Gasoline	612.7	-1.3	-8.9
Glass, flat	229.5	0.0	3.8
Glass containers	351.1	0.0	-2.1
Gypsum products	304.3	2.9	19.3
Hand tools	346.1	0.2	-0.1
Hand tools, power driven	220.6	0.1	-0.9
Industrial furnaces	366.7	1.1	2.9
Integrating and measuring instruments	223.6	0.0	5.2
Internal combustion engines	340.9	0.2	1.3
Lubricating oil	776.0	0.0	-10.5
Lumber millwork	307.1	0.5	10.2
Material handling equipment	286.2	0.3	0.2
Metal containers	338.3	0.0	2.6
Metal mill shapes (nonferrous)	314.6	-0.1	3.5
Metal tanks	305.3	0.0	-2.3
Motors and generators	334.1	0.0	6.9
Motor trucks (10,000 lb and under)	282.8	10.8	3.2
Office and store equipment	155.2	0.3	1.9
Paperboard	255.5	1.1	3.0
Paper boxes and shipping containers	250.5	0.6	0.6
Paper office supplies	227.4	0.3	-0.3
Paint	264.1	-0.2	-0.2
Plastic resins	297.5	1.5	5.8
Precision measuring tools	244.2	-0.5	7.5
Pumps and compressors	345.1	-0.2	-0.9
Refractories	345.6	1.4	1.4
Rubber belts and belting	330.5	0.3	2.9
Scales and balances	232.4	1.8	2.1
Steel products	354.8	0.1	2.0
Switchgear	270.4	0.2	2.2
Textiles, synthetic fibers	160.4	1.1	-0.4
Textiles, gray fabrics	148.9	1.2	3.6
Tires and tubes	242.7	0.1	-5.1
Transformers and power regulators	224.2	-0.2	1.6
Welding equipment	273.2	0.1	-1.9
Wire and cable	202.6	-0.6	2.7

Industrial prices at a glance



Source: Bureau of Labor Statistics

BUSINESS DATATRAK



Source: Steel Service Center Institute, NAPM Steel Buyers Committee

was relatively mixed. While tin and lead tags moved higher, the impact was offset by softness in precious metals, copper, and nonferrous scrap. Steel discounting narrowed, although quotes remained far below book levels.

No general upturn

The fact that 15 of 50 items regularly monitored by *PW* (see table) remained in the negative column compared to month-earlier results is regarded as a solid anti-inflationary sign. As one government official put it, "I wouldn't start to worry about prices until a more broad-gauge upturn develops, and that still seems at least another six months away."

STEEL SCENE

Demand continues upward

New surveys of buyers and service centers back up the increasingly bullish steel outlook.

Thirty-three percent of steel buyers expect to increase their receipts of the metal during the next three months, nearly twice as many as the 17% who expect a decline. And that's modest compared to service centers, where 51% see an increase in orders for the next three months (and not one respondent predicted a decline).

The distributor situation is summed up by Andrew G. Sharkey, president of the Steel Service Center Institute (SSCI). He figures that association members could end up shipping 16.5 tons of metal, up some 15% from last year's 14.3 million tons.

Also adding to the service center demand is the continuing buyer trend toward more reliance on distributors to keep their own inventory costs down. Sharkey notes that half of all U.S. flat rolled steel inventories will be held by distributors next year .

It's a trend that's also beginning to show up in user inventory statistics. Totals here were down to only 9.5 million tons at latest report. That's less than half the 24 million in 1973, and a far greater reduction than noted in steel consumption for t he same period of time.

Inventories seem to be in pretty good shape relative to sales. Reported months' supply edged down for both buyers and service centers during the past month (see chart).

Leaner inventories

Judging from responses by both groups, stock levels will stay trim. On the buyer level, for instance, 22% speak of decreases in the fourth quarter of the year. Only 3% contemplate increases. This view could be a bit unrealistic in view of still-expanding durable goods production, although some of this may be an attempt to hold down inventories for end-of-the-year tax purposes.

Steel service center inventory intentions are more neutral. The number of centers projecting increases for the next three

months is not much different from those expecting decreases. Actual figures here: increases 20%, declines 26%, and the remaining 5 4% planning to hold stocks at or near current levels.

Import picture

Meantime, import bargains are still generally available for those who are willing to shop around. Survey results tell the story: 62% of the buyers note small price breaks and another 9% dub the savings as quite substantial.

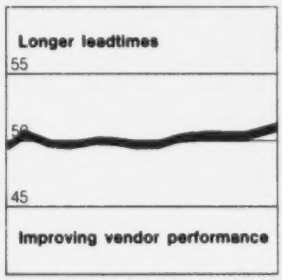
The same picture is painted by service centers. Roughly one-third of the distributors say they can get prices 10-20% under domestic levels on overseas purchases of both carbon and stainless steels.

Steel buyers say they plan to step up purchases of such bargains. Some 17% of users say they intend to be more dependent on foreign steel during the next six months. Only 6% say they'll be less dependent on foreign sources.

Monthly procurement status report

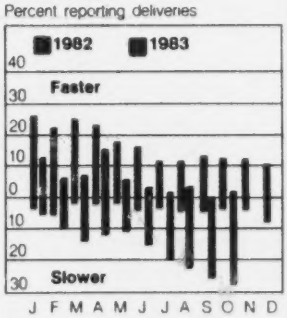
Leadtime index

A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.

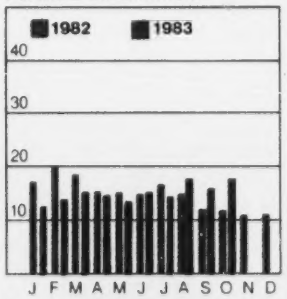


Delivery performance

Percent reporting deliveries

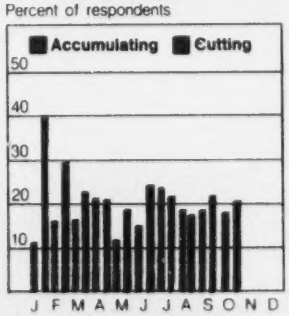


Forward commitments



Inventory strategy

Percent of respondents



Source: NAPM

PROCUREMENT STATUS

Leadtimes beginning to stretch

A briskly growing economy is finally beginning to impact on leadtimes.

To be sure, the stretchout is quite modest and spotty, with the most serious problems centered in the booming electronics sector. But now for the first time, other product lines are also being affected—including aluminum, steel, and some coated offset paper.

PurchasingWorld's exclusive leadtime index sums it up. At 52 (two points above the neutral 50 mark), the figure is hardly alarming. Nevertheless, it does suggest that things aren't quite as easy as they were 3-6 months ago—at least not as far as overall averages are concerned.

All in all, about one quarter of the 150 items regularly monitored by ***PW*** are now sporting longer waits than last spring—although, again, the increases in most cases are quite modest.

The NAPM speed of delivery survey provides still further evidence of a modest tightening up. As of latest report, some 27% of responding buyers were noting slower deliveries—up from the 22% reading of late summer.

Most purchasing executives, however, aren't all that worried about these kinds of stretchouts, pointing out that the problem isn't so much lack of capacity as it is that suppliers have been caught short by the speed of the recovery. Their gut feeling is that next year, as vendors complete tooling up for a higher level of output and as growth slows down, things should begin to level off.

Their inventory strategy would certainly seem to indicate this kind of evaluation. As of now, there are still more PMs paring than adding to stocks—hardly the harbinger of any major concern or impending shift in purchasing policy.

In the words of the NAPM Business Survey Committee, "PMs seem determined to operate with lower inventories, even in the face of continued demand for goods."

On the other hand, buyers do seem to be working closer with vendors to make their nearterm needs known a little bit faster. Then too, there has been a drop in the percentage of PMs purchasing on a hand-to-mouth basis. As of latest report, only 11% were willing to take this tack—down from the 15% noted as recently as August. ***PW***

Leadtimes and availability

Chicago: Semiconductors are out as much as 42 weeks, with IC waits put at 26 weeks or more. Also out are capacitors (to 12-16) and printed circuit boards (8-13). Ditto, hot-rolled steel sheet (3-4) and brass and copper sheet (8-10). But software plywood has come in a bit (to only 2 weeks) as have electrical materials (to 1-2).

Cleveland: Coil coating paint has moved out (to 5 weeks). Ditto, cold-finished aluminum (to 10-12) and selected electronic parts. Other typical (unchanged) leadtimes in weeks: alloying materials (on demand), glassines and greaseproof papers (45), lumber (3), plastic packaging (2-3), and reconditioned steel drums (1-2).

Los Angeles: Items moving out (with new weekly leads in parentheses): galvanized steel (8-10), pumps (8-10), electro-mechanical devices (8-10), stainless steel (12), semiconductors (24-36), wire and cable (10-12), electrical equipment (24). But in are copper tubing and fittings (4-6), custom seals and gaskets (4-6).

BUSINESS DATATRAK

Houston: Longer waits, first noted last month, continue for reciprocal compressors and field-fabricated pressure vessels. Some stretchout is also expected in oil field drilling equipment. Other typical leads: component parts (4-8), MRO items (2 -4), electronic components (17-35), packaging (0-4), and mill steel (4-8).

Philadelphia: Longer waits for selected electronic components, with these new leads (in weeks): Memory ICs (24-26), power supplies for components (12), tantalum capacitors (10-12), electrolytic capacitors (26-30). Microprocessors are almost impossible to find. Stainless bar and wire are also out (to 8-10).

Pittsburgh: Laminating paper is out a bit (to 6-9 weeks). Other leads (in weeks)—all basically unchanged: paper bags (4-6), multiwall bags (6), corrugated and folding boxes (3-4), fiber and steel drums (1), lumber (3-4), maintenance paint (5), polyethylene and PVC (4), most metal alloys (2), steel strapping (2-3).

Leadtimes (in weeks)

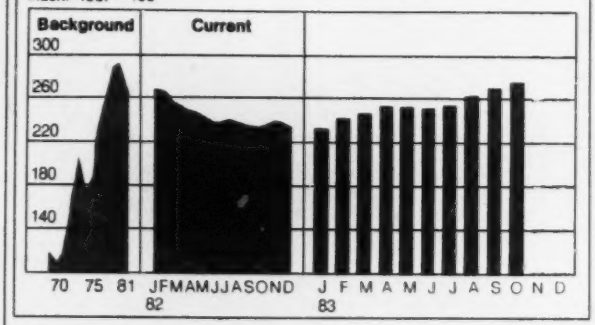
	Now	Month ago	Six months ago
STEEL			
Sheet (Phil)	7	7	5
C-R Sheet (Chgo)	10	10	13
Plate (Phil)	6	6	4½
Plate (Chgo)	3	3	2
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	4½	4½	3½
H-R Bars (Chgo)	2½	2½	2
Cold-Drawn Bars (Phil)	4½	4½	6
Galvanized (LA)	11	7	9
Galvanized (Chgo)	7	7	9
Structurals (Chgo)	2½	2½	2
Structurals (Hous)	17	17	17
Tubing (Phil)	6	6	6
Grey Iron Castings (LA)	6½	7	12
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	7	7	7
Pipe, Carbon (Hous)	13	13	20
ELECTRIC & ELECTRONIC			
Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	14	13	13
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	9	8	5
ICs (Linear) (Phil)	11	11	11
Motors (Phil)	21	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	10½	7	7
Relays (Chgo)	15	15	15
Resistors (Chgo)	10	10	10
Resistors, Wirebound (Phil)	9	10	10
Transformers (Chgo)	10	10	10
LUMBER			
Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	2	2½	2
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	1/5	1/5	1/5
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½
CHEMICALS-PLASTICS			
Adhesives (LA)	½	½	½
Naphthalene (Chgo)	2	2	2
Paint (LA)	5	4	4½
Paint, Coil Coating (Pgh)	4	4	3
Paint, Maint. (Clev)	2	2	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Clev)	2½	2½	2
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	2½	2	2
PVC Resin (Pgh)	4	4	4
Titanium Dioxide (LA)	1	1	1
PACKAGING			
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	6	6	6
Cartons, Corrugated (Clev)	3	3	3
Cartons, Corrugated (Hous)	3	3	3
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	3½	3½	4½
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	4	4	4
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	1	1	1
Drums, Steel, Std. (Pgh)	1	1	1½
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	4½	4½	4½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3
PAPER			
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½
NON-FERROUS			
Aluminum Coil (Chgo)	11	11	13
Aluminum Plate (Chgo)	9	9	9
Aluminum Sheet (LA)	4½	4½	5
Aluminum Sheet (Chgo)	14	14	12
Brass Castings (LA)	7	7	8
Brass Rods (Chgo)	3½	3½	4
Brass Sheet (Chgo)	9	8	4½
Brass Tube (Chgo)	9	9	5
Copper Fittings (LA)	5	6½	5½
Copper Mill Prod. (Pgh)	6	6	6
Copper Tube (LA)	5	6½	4
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	2
Magnesium (Pgh)	2	2	2
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	3	3	3
Wire, Specialty (LA)	5	5	5
Zinc (Pgh)	2	2	2
MISCELLANEOUS			
Bearings, Domestic (Phil)	12	12	12
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	35
Compressors, Centrifugal (Hous)	52	52	52
Compressors, Reciproc. (Hous)	39	39	39
Fasteners (Chgo)	½	½	½
Fasteners (LA)	4	4	6
Fasteners, Std. (Phil)	2	2	3½
Heat Exchangers, Carbon-alloy Steel (Hous)	20	20	30
Heat Exchangers, Hi-pressure (Hous)	21	21	43
Insulation Mat'l. (LA)	7	7	9
Machined Parts (Hous)	9	9	9
Pipes & Valves (Chgo)	1	1½	1
Pumps (Hous)	39	39	41
Pumps (LA)	9	7	12
Rubber, Synthetic (LA)	2	2	2
Rubber Hose (LA)	4	6	5
Tungsten Carbide Parts (Hous)	15	15	15
Valves, Cast Steel (Hous)	8	8	8
Welding Supplies (Hous)	5	5	5

BUSINESS DATATRAK

Raw material price barometer

Latest month	273.4
Month before	256.0
Year ago	235.3

Index: 1967 = 100



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	24.40
Steel, bars, dlvd. Phila., cwt., merchant quality	17.50	17.50	14.35
Steel, bars, Pitts, cwt.	17.5	17.5	14.35
Steel, bars, C.R., Pitts, cwt.	26.00	26.00	31.00
Steel, plates, Pitts., cwt.	25.75	25.75	24.25
Steel, plates, H.R., Pitts., cwt.	25.75	25.75	24.25
Steel, sheets, C.R., Detroit, cwt.	26.15	26.15	24.65
Steel, strip, C.R., Chi., cwt.	35.30	35.30	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	0.740	0.755	0.450
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cost ingot, lb.	4.95	4.95	4.95
Brass, red, 85%, [sheet], lb.	1.19	1.23	1.19
Brass, yellow, [sheet], lb.	1.14	1.17	1.13
Cadmium, ton lots, lb.	1.25	1.25	1.00
Copper, electrolytic, wire bars, refd., lb.	0.65	0.73	0.68
Copper sheet, over 24 in., lb.	1.28	1.32	1.28
Lead, common, N.Y., lb.	0.25	0.25	0.23
Magnesium, pig ingot, [99.8%], lb.	1.38	1.38	1.34
Mercury, 20 fl. lots, N.Y., fl.	345.00	317.00	378.00
Molybdenum Climax Oxide/bags, lb.	4.65	4.65	5.85
Nickel, electrolytic, producer, lb.	3.20	3.20	3.20
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	8.92	10.43	10.13
Tin, Straights, N.Y., lb.	6.52	6.41	6.20
Zinc, Prime West, East St. Louis, lb.	0.49	0.46	0.40
Zinc, die casting alloy, No. 3, lb.	0.555	0.525	0.475
PAPER			
Uncoated book 13 offset, ton	760.00	730.00	800.00
Watermarked bond, ton	915.00	845.00	845.00
Gummed sealing tape, carton	15.41	15.44	15.70
Boxboard, mach. clay ctd. recycled sheets 80 bright, .016, ton	475.00	475.00	475.00
Wrapping paper, std. distribution cost, kraft, basis wt. 50 lb., roll	28.00	28.00	28.00
Kraft linerboard, 42 lb., unbleached, ton	290.00	290.00	250.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	0.289	0.284	0.262
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.02	1.00	0.97
Cotton middling, 1", N.Y., lb.	0.731	0.712	0.579
Printcloth, 48", 80x80, N.Y., spot. yd.	0.855	0.740	0.550
Army duck, 37", 13 oz., yd.	1.69	1.63	1.00
Blended printcloth, 64", 78x54, yd.	0.74	0.74	0.65
20s combed yarns	2.10	2.10	1.70
Wool tops, N.Y., lb.	3.60	3.60	3.60

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb.	0.43	0.43	0.46
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	195.00	160.00	210.00
Benzene, petroleum, tanks, Houston, gal.	1.47	1.50	1.50
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	26.00
Cresylic acid [over 25%], tanks, lb.	0.58	0.58	0.66
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	0.106	0.106	0.101
Glycerine, synthetic, tanks, lb.	0.730	0.730	0.725
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.450	0.480	0.715
Naphthalene, crude, tanks, lb.	0.22	0.22	0.22
Phthalic anhydride, tanks, lb.	0.305	0.305	0.310
Polyethylene resin, low density liner film grade (market price), lb.	0.38	0.38	0.27
Polypropylene, homopolymer grade (market price), lb.	0.40	0.37	0.37
Polystyrene, general purpose grade (market price) lb.	0.40	0.37	0.38
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.350	0.350	0.335
Sulphur, crude, ex-terminal, Tampa, Fla., lt.	132.50	132.50	135.00
Sulphuric acid, 66%, commercial, tanks, ton	56.35	56.35	56.35
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.69
Xylene tanks, gal.	1.33	1.33	1.45
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	327.35	330.50	292.50
Lumber 2x2, pine, mbf, cl	324.70	322.90	280.05
Plywood, plyform, 3/4", msf, cl	551.35	546.70	554.95
Plywood, 5/8", msf, cl	366.45	357.15	342.29
Cement, bulk, ton, tl	61.88	61.79	62.07
Sand, ton, cl	5.99	5.96	5.88
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	45.64	45.73	45.54
Crushed stone, 1½", ton, cl	8.01	8.00	7.77
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	0.76	0.76	0.76
Gypsum sheathing, ½"x1"x8", msf, tl	172.93	171.46	156.32
Brick, common, per thousand, tl	174.35	172.05	176.15
Asphalt paving, AC-20	158.71	158.71	156.77
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.80	6.66	6.61
FUELS			
Fuel oil, No. 6 or Bunker C, Gulf., bbl.	25.25	25.75	25.75
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	30.50	31.25	33.75
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.780	0.758	0.920
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.833	0.855	0.933
Heating oil, No. 2, Chi., bulk, gal.	0.828	0.828	0.980
Heating oil, No. 2, N.Y., bulk, gal.	0.848	0.848	0.103
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.25	26.25	26.85
Jet kerosene, gal.	0.815	0.803	0.970
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.490	0.490	0.525
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	85.00	82.00	51.00
Steel, No. 1, hvy., dlvd., Chi., ton	77.00	77.00	44.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	0.575	0.625	0.565
Copper, No. 2, East, wholesale buy, dlvd., lb.	0.475	0.535	0.505
Brass, red, East, wholesale buy, dlvd., lb.	0.535	0.585	0.525
Brass, yellow, East, wholesale buy, dlvd., lb.	0.33	0.36	0.33
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	0.450	0.475	0.225
Alum., mixed clip., E., wholesale buy, dlvd., lb.	0.475	0.495	0.235
Zinc, old, East, wholesale buy, dlvd., lb.	0.190	0.145	0.090
Lead, clean solids, East, wholesale buy, dlvd., lb.	0.14	0.14	0.14
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	25.00	28.00	5.00
Paper, old corrug. box, dlr., N.Y., ton	20.00	22.00	4.00
Osnaburg cuttings, dlr., f.o.b. N.Y., lb.	0.100	0.100	0.130
White wipers, No. 1, dlr. buy, f.o.b. N.Y., lb.	0.33	0.33	0.34

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

Transportation cost forecast

Price increases revised downward

More good news for buyers of transportation services: Not only has the overall 1983 increase been revised downward to less than 2% (see freight rate index chart), but increases for 1984 and 1985 will generally be somewhat under levels anticipated just three months ago.

The new forecast—the latest in a series of quarterly transportation reviews supplied to ***PurchasingWorld*** by Wharton Econometrics—is based on several factors: (1) the continuing impact of deregulation, (2) still-substantial carrier overcapacity, (3) weak fuel prices, and (4) stable or even somewhat lower labor costs.

The impact of the first two factors (deregulation and overcapacity) means continuing keen competition for the shipper's dollar, both within and among the various modes. And, says Wharton, this should be enough to hold rate hikes down for at least another few quarters.

All this is not to say, of course, that there won't be some substantial rate acceleration later on in 1984 and 1985, as overcapacity pressures lessen, oil prices begin to increase again, and labor regains some of its bargaining leverage.

But even then, boosts should be in the tolerable range. In the rail sector, for example, hikes of 6.6% and 7.5% are anticipated for 1984 and 1985, respectively. But as in the case of overall transportation rates, this will be about one-half a percentag e point under estimates made this summer.

But good bargains for shippers should continue even after carrier demand does show a substantial pickup—primarily because of deregulation.

Keeping these factors in mind, here are some other cogent observations and projections on a mode-by-mode basis:

■ **Railroads:** The industry has benefitted greatly from the increased freedom resulting from deregulation. The railroads have made a number of innovative improvements in shipping and billing which have allowed them to increase their share of intercity traffic. So far, all this has been achieved with little or no major price increases.

■ **Trucking:** Carriers continue to have trouble adjusting to deregulation. As a result, they will not enjoy growth as rapid as that of their chief competitor—the railroads. Thus, overcapacity will remain a problem here for quite some time. But increased demand, a thinning out of the industry, and increased taxes on truckers will all continue to lead to stronger rate growth in 1984.

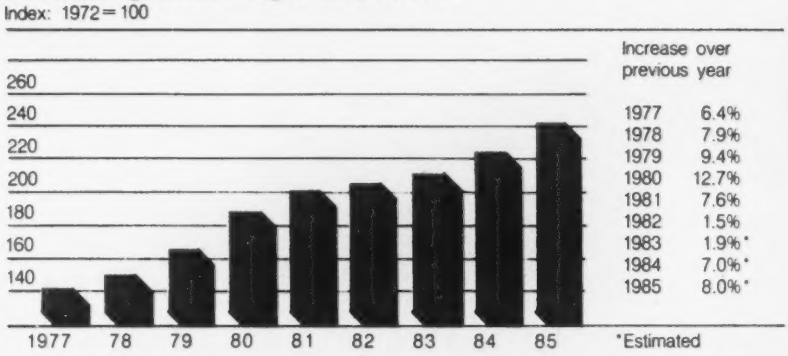
On the latter score, next year's estimated increase (7.9%) is more than double this year's estimated 3.6% increase and more than a percentage point higher than the 6.6% increase seen that year for rails.

■ **Barges:** As noted three months ago, decreased grain and coal shipments, combined with severe overcapacity problems, will lead to a decrease in barge rates this year. But the decline (1.3%) is about half that anticipated a few months ago. Beyond that time frame, the industry will likely face increased waterway taxes—something that will push barge rates up 6.4% in 1984 and 7.6% in 1985.

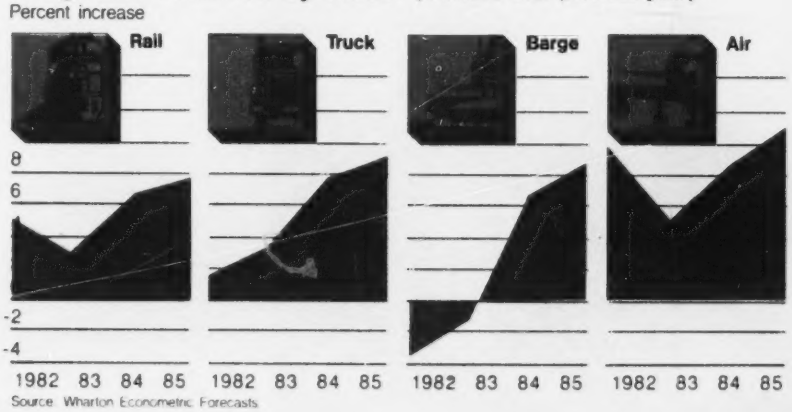
■ **Air:** Carriers are stepping up their efforts to cut costs (consider recent rate reductions by Continental and Eastern) and to increase prices in order to get back into the black. But, again, the nearterm rate increases forecast for this industry will apply primarily to bulk freight.

As for the overall industry trend over the longer pull, Wharton sees some fair-sized rate hikes coming down the pike (8.4% in 1984 and 11.2% for the ensuing year) making this the fastest rising sector as far as rates are concerned. ***PW***

PurchasingWorld freight rate index



Freight cost outlook by mode (Increase over previous year)



Source: Wharton Econometric Forecasts

Widespread discounting continues

Business may be firming. But shop around a bit, and you can still find plenty of off-list bargains.

Close to two out of every three PMs queried in a new ***Purchasing-World*** nationwide survey, for example, say they continue to get some kind of discount or other price concession on at least some of their major purchases. And a lucky one out of five say they rarely (20% ofthe time or less) pay list on their big-volume buys

True, markets aren't quite as soft as they were at the beginning of the year. Those reporting a drop in price shading since that time, for instance, outnumber those reporting more concessions by a 7:1 margin. But opportunities are still there. As one Ohio-based purchasing executive puts it, "Look hard enough, and more often than not you can whittle something off the initial asking price."

This is an opinion confirmed by the long list of items where PMs continue to report "good buys"—a list which currently includes such major product lines as steel, copper products, castings, forgings, tooling, machinery, office equipment, fuels, lubricants, valves, bearings, fasteners, paper, motors, fittings, hoses, and many widely used chemicals and plastics.

Obtaining an extended price guarantee is the most often used way of getting price breaks on many of the items previously listed. Indeed, almost three out of every four respondents list this as a typical concession.

But there are other popular ways to skin the cat, too. In descending order of importance (with the percent of PMs reporting success with each), they are: outright cash discounts (60%), freight absoption (42%), more liberal terms of sale (35%), receiving higher-than-paid-for quality (26%), improved servicing (16%), and the throwing in of extras (10%).

The survey also suggests that these "under list" pricing gimmicks are paring anywhere from 3% to really significant amounts off overall procurement bills. On the upper end of the range, for example, a surprising half of the respondents estimate that they are still able to knock upwards of 10% off the typical list price.

More important, while most feel these special deals will slowly begin to narrow, few expect any quick shift back to a sellers' market. The majority (68% to be exact) don't see this happening before next fall—or even later.

These same PMs emphasize that this appraisal is based on more than just wishful thinking. Many, for example, feel that more-than-ample capacity will keep vendors on the defensive. Others point to continuing foreign competition—aided by a strong dollar which, other things being equal, lowers the price of incoming shipments. It's the kind of climate, says one buyer, where you can almost always find someone willing to shave quotes a bit if he's promised a big-volume order.

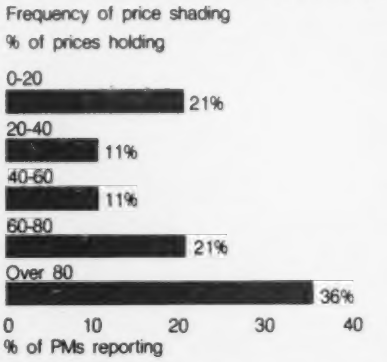
But whatever the competitive factors involved, buyers seem determined to remain in the driver's seat as long as possible. Many say they'll continue to press for longterm pacts that lock in current prices for up to a full year. Several add that they have already been succesful in negotiating some 1984 prices at existing 1983 levels.

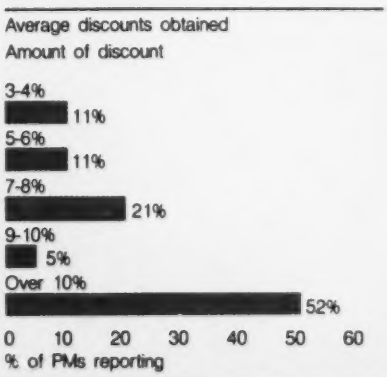
Another buyer, this one from a hardhit smokestack industry, takes a different tack. His firm, in essence, pleads poverty, pointing out that it would be unable to pass along any big cost increase anytime soon.

A few PMs also are trying to consolidate their list of vendors, concentrating on fewer and offering them the carrot of bigger orders.

In the words of one Midwestern buying executive, "We feel this can pay off in several ways by (1) providing us with more bargaining leverage, (2) allowing us to concentrate on firms offering the best quality and reliability potentials, and (3) showing the vendor that we are willing to make a longterm committment if the price is right." ***PW***

Summary of discounting activity





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THE UPSWING CONTINUES

A special economic forecast on what's in store for 1984 as viewed by ten different sources.

PurchasingWorld

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